



Congress of the United States

March 15, 2023

The Honorable Julia Gordon
Commissioner
Federal Housing Administration
451 7th Street SW
Washington, D.C. 20250

Dear Commissioner Gordon,

I write to request an update to the Home Equity Conversion Mortgage (HECM) occupancy requirements for borrowers following a natural disaster.

On December 30, 2021, the Marshall Fire devastated neighborhoods across Louisville, Superior, and unincorporated Boulder County – destroying over a thousand homes and businesses. This catastrophic disaster was the most destructive fire in Colorado’s history. Over a year later, many of my constituents are still unable to return to their homes because they are either under construction or in the process of selling the property. Regardless of these special circumstances, individuals with a HECM reverse mortgage are at the risk of foreclosure on account of current Department of Housing and Urban Development (HUD) guidelines. In fact, one Marshall Fire victim in this position has already been subject to foreclosure.

As you know, Congress authorized the Federal Housing Administration (FHA) to create the HECM program in 1988.¹ The program was established following years of concerted efforts to address the financial predicaments of older adults while also creating an equity conversion product that would be widely accepted by the lending industry.

As we understand it, the federal government, through HUD, issues a series HECM requirements for borrowers and lenders. More specifically, a borrower must be at least 62 years of age, own the property, occupy the property as a principal residence, pay all current federal debt, and make timely payments.² If these borrower requirements are not met, homeowners are often subjected

¹ United States House Financial Services Committee, Subcommittee on Housing, Community Development, and Insurance, *Testimony of Sarah B. Mancini, of Counsel at the National Consumer Law Center, Protecting Seniors: A Review of the FHA’s Home Equity Conversion Mortgage (HECM) Program*, 115AD. 115th Congress, document.

² U.S. Department of Housing and Urban Development (HUD), *Requirements and General Information, FHA Reverse Mortgage for Seniors (HECM)*.

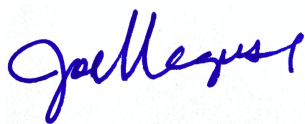
to foreclosure and the lender seizing the property. According to the Government Accountability Office, most HECM defaults are due to borrowers not meeting occupancy requirements.³

In the case of natural disasters and similar emergency situations, however, the temporary evacuation of communities is often necessary to protect human life and then to rebuild property following extensive damage. And yet, regardless of these unique circumstances, if HECM occupancy requirements were not met, some lenders apparently argue that federal regulations permit them to foreclose on reverse mortgages for damaged or destroyed property.

Natural disasters have the power to reshape our communities for years to come. Many families and senior citizens in my district are still recovering from the Marshall Fire. They should not face reverse mortgage foreclosures while acting in good faith to either rebuild or sell their property.

I greatly appreciate the urgency with which you responded to the Marshall Fire. I ask that you promptly update current guidelines and allow for a situational prohibition on foreclosures in this instance and in event of similar future disasters. Thank you in advance for your consideration.

Sincerely,



Joe Neguse
Member of Congress

³ *Reverse Mortgages: FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing*, U.S. GAO, U.S. Government Accountability Office, Sept. 2019